

B U S I N E S S

S I T U A T I O N

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**R**EAL GROSS domestic product (GDP) increased 6.9 percent in the fourth quarter of 1999, according to the “preliminary” estimates of the national income and product accounts (NIPAs), after increasing 5.7 percent in the third quarter (table 1 and chart 1); the “advance” fourth-quarter estimate of real GDP, reported in the February “Business Situation,” had shown a 5.8-percent increase.<sup>1</sup> The upward revision to real GDP reflected upward revisions to consumer

spending, to State and local government spending, to exports of goods, and to private nonfarm inventory investment; these revisions were partly offset by a downward revision to Federal Government spending. Real final sales of domestic product and real gross domestic purchases were each revised up less than GDP. (The sources of the revisions are discussed in the section “Revisions.”)

1. Quarterly estimates in the NIPAs are expressed at seasonally adjusted annual rates. Quarter-to-quarter dollar changes are the differences between the published estimates. Quarter-to-quarter percent changes are annualized and are calculated from unrounded data unless otherwise specified.  
Real estimates are calculated using a chain-type Fisher formula with annual weights for all years and quarterly weights for all quarters; real estimates are expressed both as index numbers (1996=100) and as chained (1996) dollars. Price indexes (1996=100) are also calculated using a chain-type Fisher formula.

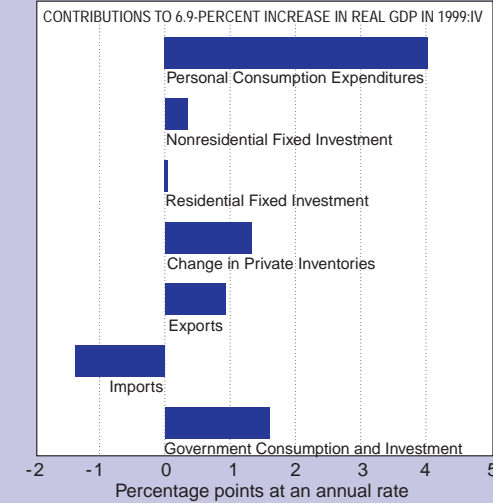
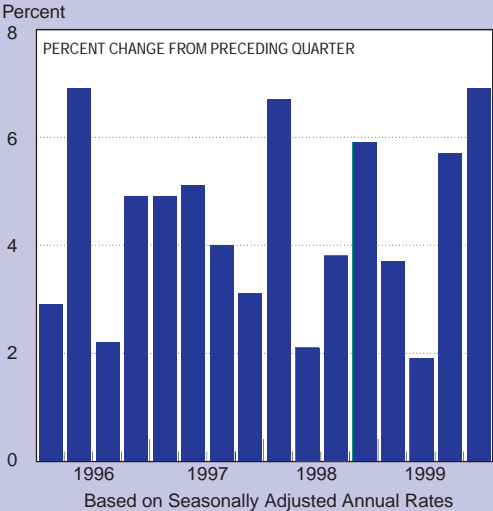
Table 1.—Real Gross Domestic Product, Real Gross Domestic Purchases, and Real Final Sales to Domestic Purchasers  
[Seasonally adjusted at annual rates]

	Billions of chained (1996) dollars					Percent change from preceding quarter			
	1999 IV	Change from preceding quarter 1999				1999			
		I	II	III	IV	I	II	III	IV
Gross domestic product .....	9,050.9	78.7	40.7	122.0	150.3	3.7	1.9	5.7	6.9
Less: Exports of goods and services .....	1,077.0	-14.4	10.0	28.4	22.2	-5.5	4.0	11.5	8.7
Plus: Imports of goods and services .....	1,426.7	37.8	44.5	47.6	33.7	12.5	14.4	14.9	10.0
<b>Equals: Gross domestic purchases .....</b>	<b>9,377.5</b>	<b>125.9</b>	<b>70.8</b>	<b>138.7</b>	<b>160.6</b>	<b>5.8</b>	<b>3.2</b>	<b>6.3</b>	<b>7.2</b>
Less: Change in private inventories .....	68.7	-20.6	-36.1	24.0	30.7	.....	.....	.....	.....
Nonfarm .....	74.0	-15.1	-30.0	28.1	32.8	.....	.....	.....	.....
Farm .....	-6.4	-5.4	-6.5	-4.7	-2.6	.....	.....	.....	.....
<b>Equals: Final sales to domestic purchasers .....</b>	<b>9,302.9</b>	<b>144.2</b>	<b>103.0</b>	<b>114.4</b>	<b>130.7</b>	<b>6.7</b>	<b>4.7</b>	<b>5.2</b>	<b>5.8</b>
Personal consumption expenditures .....	6,120.3	92.6	73.4	71.5	87.0	6.5	5.1	4.9	5.9
Durable goods .....	846.6	22.8	17.3	15.1	25.4	12.4	9.1	7.7	13.0
Nondurable goods .....	1,810.6	36.9	14.2	15.6	31.3	8.9	3.3	3.6	7.2
Services .....	3,473.0	34.5	42.7	41.4	32.4	4.2	5.2	5.0	3.8
Private fixed investment .....	1,615.8	33.4	25.1	26.3	8.5	9.1	6.6	6.8	2.1
Nonresidential .....	1,242.0	21.9	20.2	31.4	7.7	7.8	7.0	10.9	2.5
Structures .....	243.4	-3.8	-3.4	-2.4	-2.7	-5.8	-5.3	-3.8	-4.3
Equipment and software .....	1,008.0	27.2	25.2	35.7	11.4	12.5	11.2	15.7	4.7
Residential .....	376.1	11.1	5.1	-3.7	1.0	12.9	5.5	-3.8	1.0
Government consumption expenditures and gross investment .....	1,570.8	18.7	4.9	17.0	34.3	5.1	1.3	4.5	9.2
Federal .....	557.9	-6	2.8	5.5	18.2	-5	2.1	4.1	14.2
National defense .....	362.0	-3.5	-2.2	9.1	13.7	-4.0	-2.6	11.2	16.7
Nondefense .....	195.9	2.8	5.0	-3.6	4.6	6.1	10.9	-7.1	9.9
State and local .....	1,012.7	19.3	2.2	11.5	16.1	8.2	.9	4.8	6.6
<b>Addendum: Final sales of domestic product .....</b>	<b>8,976.3</b>	<b>96.9</b>	<b>72.7</b>	<b>97.9</b>	<b>120.5</b>	<b>4.6</b>	<b>3.4</b>	<b>4.5</b>	<b>5.6</b>

NOTE.—Chained (1996) dollar series are calculated as the product of the chain-type quantity index and the 1996 current-dollar value of the corresponding series, divided by 100. Because the formula for the chain-type quantity indexes uses weights of more than one period, the corresponding chained-dollar estimates usually are not additive. Chained (1996) dollar levels and residuals, which measure the extent of nonadditivity in each table, are shown in NIPA tables 1.2, 1.4, and 1.6. Percent changes are calculated from unrounded data. Percent changes in major aggregates are shown in NIPA table S.1. (See “Selected NIPA Tables,” which begin on page D-2 of this issue.)

CHART 1

Real Gross Domestic Product



The 6.9-percent increase in the fourth quarter was the largest increase in 3 1/2 years and was well above the 3.6-percent average annual growth rate for real GDP over the current expansion, which began in the second quarter of 1991.

The picture of the economy in the fourth quarter presented by the preliminary estimates differs somewhat from that presented by the advance estimates. The preliminary estimates showed the following:

- Real GDP growth accelerated in the fourth quarter. The acceleration was primarily accounted for by accelerations in government spending and in consumer spending and by a deceleration in imports of goods. These changes were partly offset by decelerations in private nonresidential fixed investment and in exports of goods.
- Real final sales of domestic product accelerated about the same as real GDP, as private inventory investment—which is not included in final sales of domestic product—increased sharply in both quarters.<sup>2</sup> Growth in real final sales of domestic product was more than 1 percentage point lower than growth real GDP in both quarters.

2. Final sales of domestic product is calculated as GDP less change in private inventories.

**Table 2.—Contributions to Percent Change in Real Gross Domestic Product**

[Seasonally adjusted at annual rates]

	1999			
	I	II	III	IV
<b>Percent change at annual rate:</b>				
Gross domestic product .....	3.7	1.9	5.7	6.9
<b>Percentage points at annual rates:</b>				
Personal consumption expenditures .....	4.27	3.36	3.33	4.03
Durable goods .....	.96	.71	.62	1.02
Nondurable goods .....	1.68	.64	.73	1.44
Services .....	1.63	2.01	1.97	1.57
Gross private domestic investment .....	.67	-.36	2.25	1.72
Fixed investment .....	1.48	1.10	1.16	.39
Nonresidential .....	.94	.86	1.33	.34
Structures .....	-.18	-.16	-.11	-.12
Equipment and software .....	1.12	1.02	1.44	.46
Residential .....	.53	.24	-.17	.05
Change in private inventories .....	-.80	-1.46	1.09	1.33
Net exports of goods and services .....	-2.13	-1.35	-.72	-.43
Exports .....	-.61	.42	1.19	.93
Goods .....	-.74	.32	1.19	.79
Services .....	.13	.10	0	.15
Imports .....	-1.52	-1.77	-1.91	-1.37
Goods .....	-1.28	-1.59	-1.83	-1.07
Services .....	-.24	-.19	-.08	-.30
Government consumption expenditures and gross investment .....	.87	.23	.81	1.61
Federal .....	-.03	.13	.26	.84
National defense .....	-.16	-.10	.42	.63
Nondefense .....	.13	.23	-.16	.21
State and local .....	.90	.10	.55	.76

NOTE More detailed contributions to percent change in real gross domestic product are shown in NIPA table 8.2. Contributions to percent change in major components of real gross domestic product are shown in tables 8.3 through 8.6.

- Real gross domestic purchases accelerated less than real GDP in the fourth quarter.<sup>3</sup>
- The largest contributors to the fourth-quarter increase in real GDP were consumer spending, government spending, and private inventory investment (table 2 and chart 1). The increase in GDP was moderated by an increase in imports.

The price index for gross domestic purchases increased 2.3 percent in the fourth quarter after increasing 1.7 percent in the third (table 3). The step-up was accounted for by an acceleration in prices of personal consumption expenditures (PCE) other than food and energy and by a smaller decrease in prices of private nonresidential investment in equipment and software; in contrast, prices of PCE energy goods and services and of private residential investment decelerated. The price index for gross domestic purchases excluding food and energy—food and energy prices are usually more volatile than many other prices—increased 1.9 percent after increasing 1.2 percent.

GDP prices increased 2.0 percent in the fourth quarter after increasing 1.1 percent in the third.

Real disposable personal income (DPI) increased 4.5 percent in the fourth quarter after increasing

3. Gross domestic purchases—a measure of purchases by U.S. residents regardless of where the purchased goods and services were produced—is calculated as the sum of personal consumption expenditures, gross private domestic investment, and government consumption expenditures and gross investment.

**Table 3.—Percent Changes in Prices**

[Annual rates; based on seasonally adjusted index numbers (1996=100)]

	1999			
	I	II	III	IV
<b>Gross domestic product .....</b>	<b>2.0</b>	<b>1.3</b>	<b>1.1</b>	<b>2.0</b>
Less: Exports of goods and services .....	-.5	.7	1.3	2.6
Plus: Imports of goods and services .....	-3.0	5.2	6.2	4.6
<b>Equals: Gross domestic purchases .....</b>	<b>1.6</b>	<b>1.9</b>	<b>1.7</b>	<b>2.3</b>
Less: Change in private inventories .....				
<b>Equals: Final sales to domestic purchasers .....</b>	<b>1.7</b>	<b>2.0</b>	<b>1.8</b>	<b>2.3</b>
Personal consumption expenditures .....	1.4	2.2	1.8	2.5
Food .....	2.5	1.2	2.1	2.3
Energy goods and services <sup>1</sup> .....	-2.5	26.9	14.2	11.9
Other personal consumption expenditures .....	1.4	1.3	1.2	2.0
Private nonresidential fixed investment .....	-.9	-1.4	-1.3	.1
Structures .....	1.3	2.2	3.4	3.6
Equipment and software .....	-1.6	-2.5	-2.7	-.9
Private residential investment .....	4.0	3.6	4.1	2.8
Government consumption expenditures and gross investment .....	3.8	2.9	3.3	3.2
Federal .....	8.6	.9	1.8	2.8
National defense .....	7.6	1.0	1.8	2.6
Nondefense .....	10.4	.7	1.8	3.2
State and local .....	1.4	4.0	4.2	3.4
<b>Addendum: Gross domestic purchases less food and energy .....</b>	<b>1.7</b>	<b>1.2</b>	<b>1.2</b>	<b>1.9</b>

1. Consists of gasoline, fuel oil, and other energy goods and of electricity and gas.

NOTE Percent changes in major aggregates are shown in NIPA table 8.1. Index numbers are shown in tables 7.1, 7.2, and 7.4.

2.9 percent in the third. The personal saving rate—personal saving as a percentage of current-dollar DPI—continued its downtrend, decreasing to 1.8 percent from 2.1 percent in the third quarter; the fourth-quarter rate is the lowest since 1959, the first year for which quarterly estimates are currently available.

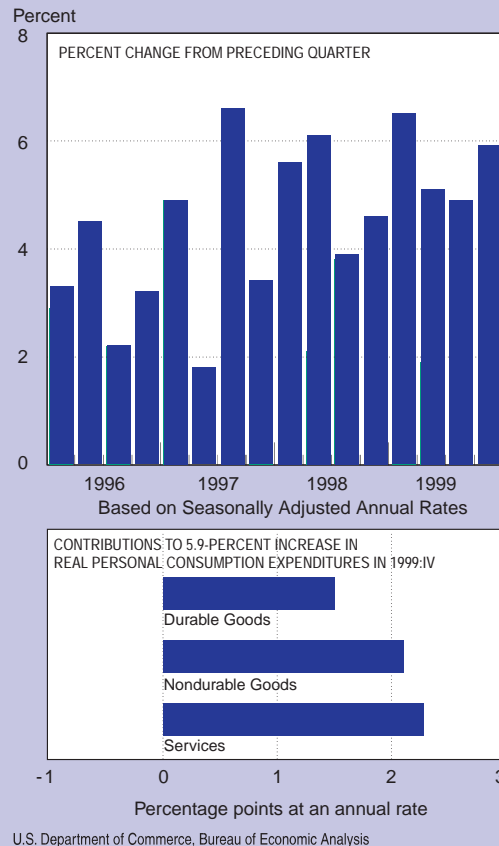
### *Personal consumption expenditures*

Real personal consumption expenditures (PCE) increased 5.9 percent in the fourth quarter after increasing 4.9 percent in the third ([table 4](#) and [chart 2](#)). For eight consecutive quarters, the increases have exceeded the 3.8-percent average annual growth rate for PCE over the current expansion. The fourth-quarter step-up was accounted for by accelerations in expenditures for both non-durable and durable goods. Expenditures for services increased less than in the third quarter.

The step-up in PCE was consistent with movements in some of the factors considered in analyses of PCE ([chart 3](#)). As previously mentioned, real DPI increased more in the fourth quarter than in the third; the Index for Consumer Sentiment (prepared by the University of Michigan's Survey Research Center as a measure of consumer attitudes and expectations) remained high; and the unemployment rate decreased to 4.1 percent, the lowest quarterly rate in 30 years.

### CHART 2

### Real Personal Consumption Expenditures



**Table 4.—Real Personal Consumption Expenditures**

[Seasonally adjusted at annual rates]

	Billions of chained (1996) dollars					Percent change from preceding quarter			
	Level	Change from preceding quarter				1999			
	1999	1999							
	IV	I	II	III	IV	I	II	III	IV
Personal consumption expenditures .....	6,120.3	92.6	73.4	71.5	87.0	6.5	5.1	4.9	5.9
Durable goods .....	846.6	22.8	17.3	15.1	25.4	12.4	9.1	7.7	13.0
Motor vehicles and parts .....	325.8	3.0	6.8	2.4	6.2	3.9	9.2	3.0	8.0
Of which: New autos .....	108.5	1.6	5.6	-8	7.1	6.5	25.5	-3.2	31.0
New light trucks .....	89.1	-9	1.3	2.3	.2	-4.0	6.0	11.0	1.2
Furniture and household equipment .....	359.2	14.1	8.8	10.5	13.2	19.3	11.3	13.0	16.3
Other .....	164.1	6.4	1.8	2.9	6.5	18.5	4.8	8.0	17.3
Nondurable goods .....	1,810.6	36.9	14.2	15.6	31.3	8.9	3.3	3.6	7.2
Food .....	873.2	4.1	5.1	5.4	23.2	2.0	2.4	2.6	11.4
Clothing and shoes .....	318.0	19.1	2.1	4.8	-3.6	28.4	2.7	6.2	-4.5
Gasoline, fuel oil, and other energy goods .....	144.9	1.0	1.0	.6	.4	2.8	2.8	1.8	1.0
Other .....	473.9	13.2	6.0	4.9	10.4	12.6	5.4	4.3	9.3
Services .....	3,473.0	34.5	42.7	41.4	32.4	4.2	5.2	5.0	3.8
Housing .....	834.2	6.4	4.7	5.4	5.7	3.2	2.3	2.7	2.7
Household operation .....	361.4	8.6	4.8	5.6	-3.0	10.3	5.6	6.4	-3.2
Electricity and gas .....	130.6	5.4	1.1	3.2	-4.8	18.5	3.5	9.9	-13.4
Other household operation .....	230.5	3.2	3.6	2.5	1.6	6.0	6.7	4.4	3.0
Transportation .....	243.9	1.6	2.2	2.5	1.5	2.8	3.6	4.2	2.5
Medical care .....	889.5	3.4	6.4	8.9	8.6	1.6	3.0	4.2	4.0
Recreation .....	237.1	5.6	6.6	7.4	4.7	10.9	12.7	13.8	8.3
Other .....	907.2	9.1	18.1	11.8	14.6	4.3	8.7	5.5	6.7

NOTE.—See note to table 1 for an explanation of chained (1996) dollar series. Chained (1996) dollar levels and residuals are shown in NIPA tables 2.3 and 8.9B (motor vehicles). Percent changes in major aggregates are shown in NIPA table S.1.

Expenditures for nondurable goods increased 7.2 percent after increasing 3.6 percent. The step-up was more than accounted for by an acceleration in food, but “other” nondurable goods also contributed.<sup>4</sup> Gasoline and oil increased about the same in each quarter, fuel oil and coal decreased slightly more in the fourth quarter than in the third, and clothing and shoes decreased after increasing.

Expenditures for durable goods increased 13.0 percent after increasing 7.7 percent. The acceleration was widespread. An acceleration in motor vehicles and parts was more than accounted for by an upturn in new autos. An acceleration in “other” durable goods was largely accounted for by wheel goods and sporting equipment, which increased after no change.<sup>5</sup> An acceleration in furniture and

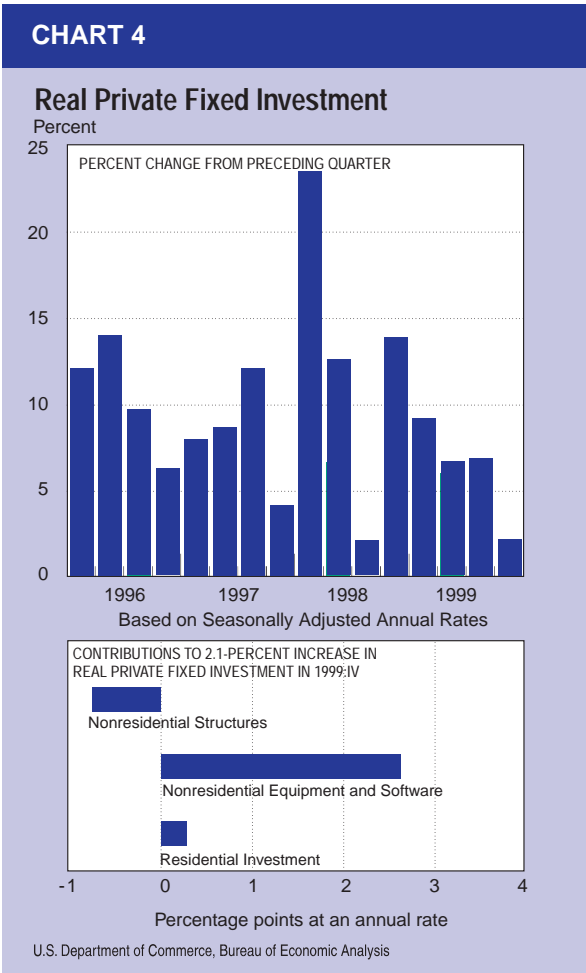
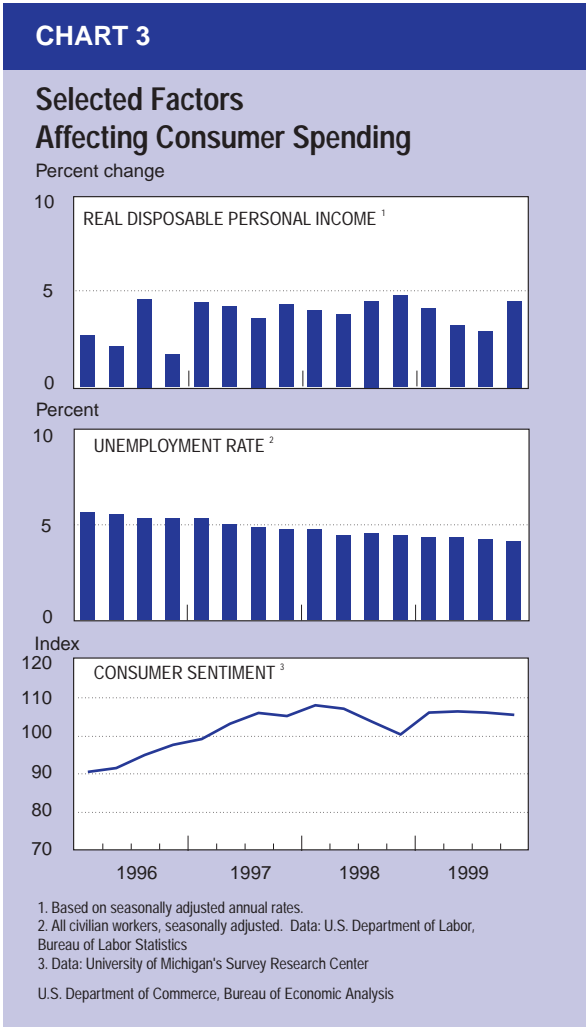
household equipment was accounted for by furniture and equipment other than computers and software; computers and software increased less than in the third quarter.

Expenditures for services increased 3.8 percent after increasing 5.0 percent. The slowdown was primarily accounted for by a downturn in household operation, which was mostly accounted for by electricity and gas. Recreation decelerated, reflecting a downturn in motion picture admissions and a slowdown in casino gambling. Transportation also decelerated, reflecting a downturn in motor-vehicle leasing. Medical care and housing services both increased about the same in each quarter. “Other” services increased more than in the third quarter, primarily reflecting an upturn in brokerage and investment counseling.<sup>6</sup>

4. “Other” nondurable goods includes tobacco, toilet articles, drug preparations and sundries, stationery and writing supplies, toys, film, flowers, cleaning preparations and paper products, semidurable house furnishings, and magazines and newspapers.

5. “Other” durable goods includes jewelry and watches, ophthalmic products and orthopedic equipment, books and maps, bicycles and motorcycles, guns and sporting equipment, photographic equipment, boats, and pleasure aircraft.

6. “Other” services includes personal care, personal business, net foreign travel, education and research, and religious and welfare activities.



### Private fixed investment

Real private fixed investment increased 2.1 percent in the fourth quarter after increasing 6.8 percent in the third ([chart 4](#)). A deceleration in nonresidential fixed investment more than offset an upturn in residential investment.

**Nonresidential fixed investment.**—Real private nonresidential fixed investment increased 2.5 percent in the fourth quarter after jumping 10.9 percent in the third ([table 5](#)). Equipment and software decelerated sharply, and structures decreased more than in the third quarter.

Over the past four quarters, nonresidential fixed investment increased 7.0 percent, somewhat less than the 8.3-percent average increase over the current expansion. Some of the factors that affect investment spending showed strength over the past four quarters ([chart 5](#)). Over that period, real final sales of domestic product increased 4.5 percent, and over the first three quarters of 1999, domestic corporate profits increased at an average annual rate of 6.4 percent (estimates of profits for the fourth quarter are not yet available). In contrast, the capacity utilization rate was 81.0 percent in the fourth quarter of 1999, unchanged from a year ago, and long-term interest rates increased; for example, the yield on high-grade corporate bonds increased to 7.47 percent from 6.25 percent.

Investment in equipment and software increased 4.7 percent after jumping 15.7 percent. The slowdown was accounted for by a downturn in transportation equipment—reflecting downturns in trucks, buses, and trailers and in autos—and by a deceleration in information processing equipment and software. Industrial equipment increased more than in the third quarter, and “other” equipment decreased less.<sup>7</sup> The deceleration in information processing equipment was largely accounted for by a slowdown in computers and peripheral equipment, but communication equipment and software also slowed.

Investment in nonresidential structures decreased 4.3 percent after decreasing 3.8 percent. The larger fourth-quarter decrease was accounted for by downturns in mining exploration, shafts, and wells and in utilities. Nonresidential buildings and “other structures” decreased less than in the third quarter.<sup>8</sup>

**Residential investment.**—Real private residential investment increased 1.0 percent in the fourth quarter after decreasing 3.8 percent in the third ([table 5](#)). The upturn was more than accounted for by single-family structures, which increased after

7. “Other” equipment includes construction and agricultural machinery, mining and oilfield machinery, electrical equipment not included in other categories, furniture and fixtures, and service-industry machinery.

8. “Other” structures includes streets, dams and reservoirs, sewer and water facilities, parks, airfields, brokerage commissions on the sale of structures, and net purchases of used structures.

**Table 5.—Real Private Fixed Investment**

(Seasonally adjusted at annual rates)

	Billions of chained (1996) dollars					Percent change from preceding quarter			
	Level	Change from preceding quarter							
	1999	1999				1999			
	IV	I	II	III	IV	I	II	III	IV
<b>Private fixed investment</b> .....	<b>1,615.8</b>	<b>33.4</b>	<b>25.1</b>	<b>26.3</b>	<b>8.5</b>	<b>9.1</b>	<b>6.6</b>	<b>6.8</b>	<b>2.1</b>
Nonresidential .....	1,242.0	21.9	20.2	31.4	7.7	7.8	7.0	10.9	2.5
Structures .....	243.4	-3.8	-3.4	-2.4	-2.7	-5.8	-5.3	-3.8	-4.3
Nonresidential buildings, including farm .....	176.5	-8	-5.4	-4.0	-7	-1.8	-11.1	-8.4	-1.7
Utilities .....	37.4	-6	-1	.5	-1.1	-5.7	-1.5	5.3	-10.5
Mining exploration, shafts, and wells .....	23.5	-2.0	1.0	1.7	-8	-30.1	19.5	35.6	-13.2
Other structures .....	6.2	-2	1.1	-8	-1	-12.3	100.1	-38.2	-5.5
Equipment and software .....	1,008.0	27.2	25.2	35.7	11.4	12.5	11.2	15.7	4.7
Information processing equipment and software .....	538.5	21.9	30.6	25.0	12.5	21.0	28.6	21.6	9.8
Computers and peripheral equipment <sup>1</sup> .....	242.0	15.1	19.5	20.6	8.5	38.6	46.9	44.5	15.5
Software <sup>2</sup> .....	155.5	3.8	5.4	5.0	3.5	11.7	16.1	14.3	9.4
Other .....	177.6	6.9	10.6	6.3	2.9	19.6	29.9	15.7	6.9
Industrial equipment .....	154.7	-3.9	1.6	3.4	4.7	-9.9	4.3	9.8	12.9
Transportation equipment .....	200.6	5.0	.8	12.4	-3.4	11.2	1.6	28.7	-6.5
Of which: Motor vehicles .....	162.8	2.2	3.7	14.0	-7.2	6.0	10.3	41.0	-15.9
Other .....	129.4	6.0	-3.7	-3.2	-7	18.7	-10.2	-8.7	-2.7
Residential .....	376.1	11.1	5.1	-3.7	1.0	12.9	5.5	-3.8	1.0
Single-family structures .....	195.9	6.5	0	-4.1	4.2	14.4	-1	-8.0	9.1
Multifamily structures .....	22.8	2.2	-4	0	-1	48.7	-6.5	-8	-8
Other <sup>3</sup> .....	157.4	2.3	5.6	.5	-3.3	6.1	15.4	1.2	-7.9

1. Includes new computers and peripheral equipment only.

2. Excludes software “embedded,” or bundled, in computers and other equipment.

3. “Other” residential investment includes home improvements, new manufactured home sales, brokers’ commissions on home sales, residential equipment, net purchases of used structures, and other residential structures (which consists primarily of dormitories and of fraternity and soror-

ity houses).

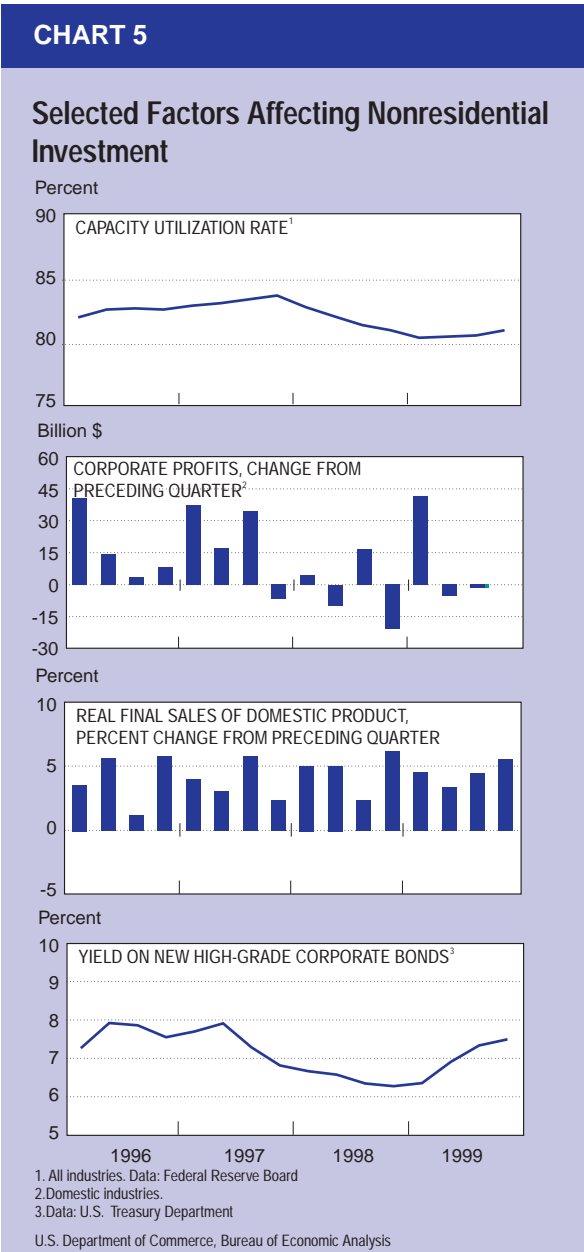
NOTE.—See note to table 1 for an explanation of chained (1996) dollar series. Chained (1996) dollar levels and residuals are shown in NIPA tables 5.5 and 8.9B (motor vehicles). Percent changes in major aggregates are shown in NIPA table S.1.



decreasing. Multifamily structures changed little in each quarter, and “other” residential investment turned down.<sup>9</sup>

Investment in single-family structures increased 9.1 percent after decreasing 8.0 percent. Multifamily structures decreased 0.8 percent in each quarter. “Other” residential investment decreased 7.9 percent after increasing 1.2 percent; a downturn in brokers’ commissions—which largely reflected a larger decrease in sales of existing homes in the fourth quarter than in the third—more than offset an acceleration in home improvements.

9. “Other” residential investment includes home improvements, new manufactured home sales, brokers’ commissions on home sales, net purchases of used structures, residential equipment, and other residential structures (which consists primarily of dormitories and of fraternity and sorority houses).

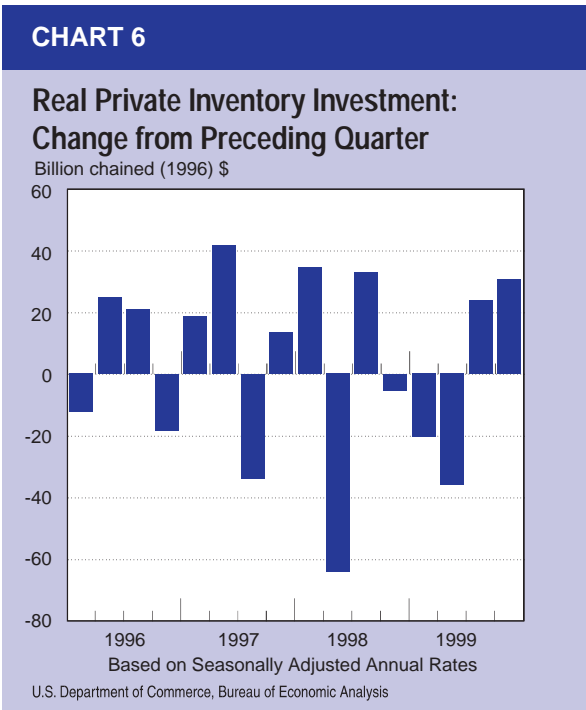


**Inventory investment**

Real inventory investment—that is, the change in private inventories—increased \$30.7 billion in the fourth quarter, as inventory accumulation stepped up to \$68.7 billion from \$38.0 billion; inventory investment had increased \$24.0 billion in the third quarter (table 6 and chart 6). The fourth-quarter increase in inventory investment was largely accounted for by retail trade.

Retail inventories increased \$42.1 billion after increasing \$14.1 billion. Inventories of durable-goods retailers increased \$28.1 billion after increasing \$11.8 billion; the step-up reflected both inventories of nonmotor-vehicle-durable-goods retailers, which increased \$13.6 billion after increasing \$2.5 billion, and inventories of motor vehicle dealers, which increased \$14.4 billion after increasing \$9.3 billion. Inventories of nondurable-goods retailers increased \$14.3 billion after increasing \$2.5 billion; about half of the step-up reflected an upturn in the inventories of apparel stores.

Manufacturing inventories increased \$10.2 billion after increasing \$1.7 billion. The step-up was largely accounted for by inventories of nondurable-goods manufacturers, which increased \$6.3 billion after no change. Chemical inventories increased after decreasing, and food inventories increased after little change. Inventories of durable-goods manufacturers increased \$3.8 billion after increasing \$1.8 billion. Inventories of electronic machinery increased substantially more than in



the third quarter, and a number of other durable-goods industries recorded smaller step-ups or upturns; in contrast, inventories of transportation equipment other than motor vehicles decreased more than in the third quarter, reflecting a step-up in the liquidation of aircraft inventories.

“Other” nonfarm inventories increased \$3.9 billion after little change.<sup>10</sup> Inventories of durable goods turned up, and inventories of nondurable goods accelerated.

10. “Other” nonfarm inventories includes inventories held by the following industries: Mining; construction; public utilities; transportation; communication; finance, insurance, and real estate; and services.

Wholesale trade inventories increased \$16.7 billion after increasing \$25.1 billion. Inventories of nondurable goods turned down, more than offsetting an acceleration in inventories of durable goods.

Farm inventories decreased \$6.4 billion after decreasing \$3.8 billion. Crop inventories decreased more than in the third quarter, and livestock inventories decreased about the same as in the third quarter.

In the fourth quarter, the ratio of real nonfarm inventories to real final sales of domestic businesses

**Table 6.—Real Change in Private Inventories**

[Billions of chained (1996) dollars, seasonally adjusted at annual rates]

	Level					Change from preceding quarter			
	1998	1999				1999			
		IV	I	II	III	IV	I	II	III
Change in private inventories .....	70.7	50.1	14.0	38.0	68.7	-20.6	-36.1	24.0	30.7
Farm .....	12.8	7.4	.9	-3.8	-6.4	-5.4	-6.5	-4.7	-2.6
Nonfarm .....	58.2	43.1	13.1	41.2	74.0	-15.1	-30.0	28.1	32.8
Manufacturing .....	12.0	0	-8.3	1.7	10.2	-12.0	-8.3	10.0	8.5
Durable goods .....	6.8	1.8	-6.6	1.8	3.8	-5.0	-8.4	8.4	2.0
Nondurable goods .....	5.3	-1.8	-1.7	0	6.3	-7.1	.1	1.7	6.3
Wholesale trade .....	17.2	9.5	11.1	25.1	16.7	-7.7	1.6	14.0	-8.4
Durable goods .....	15.5	11.8	11.0	11.1	19.3	-3.7	-8	.1	8.2
Nondurable goods .....	1.4	-2.4	.1	14.0	-2.3	-3.8	2.5	13.9	-16.3
Retail trade .....	15.5	17.5	5.9	14.1	42.1	2.0	-11.6	8.2	28.0
Durable goods .....	16.0	9.5	4.0	11.8	28.1	-6.5	-5.5	7.8	16.3
Of which: Motor vehicle dealers .....	7.6	3.1	0	9.3	14.4	-4.5	-3.1	9.3	5.1
Nondurable goods .....	-3	8.0	1.9	2.5	14.3	8.3	-6.1	.6	11.8
Other .....	13.6	15.7	4.1	.1	3.9	2.1	-11.6	-4.0	3.8
Durable goods .....	1.0	1.7	-2.0	-1.0	1.1	.7	-3.7	1.0	2.1
Nondurable goods .....	12.6	14.0	6.3	1.1	2.8	1.4	-7.7	-5.2	1.7
Addenda:									
Motor vehicles .....	16.6	6.4	2.5	13.3	18.1	-10.2	-3.9	10.8	4.8
Autos .....	12.9	1.7	-7.9	3.3	7.7	-11.2	-9.6	11.2	4.4
Trucks .....	3.9	4.5	9.2	9.4	9.9	.6	4.7	.2	.5

NOTE.—See note to table 1 for an explanation of chained (1996) dollar series. Chained (1996) dollar levels and residuals are shown in NIPA tables 5.11 and 8.9B (motor vehicles).

**Table 7.—Real Exports and Imports of Goods and Services**

[Seasonally adjusted at annual rates]

	Billions of chained (1996) dollars					Percent change from preceding quarter			
	Level	Change from preceding quarter				1999			
		1999				1999			
	IV	I	II	III	IV	I	II	III	IV
<b>Exports of goods and services</b> .....	<b>1,077.0</b>	<b>-14.4</b>	<b>10.0</b>	<b>28.4</b>	<b>22.2</b>	<b>-5.5</b>	<b>4.0</b>	<b>11.5</b>	<b>8.7</b>
Exports of goods <sup>1</sup> .....	782.6	-17.8	7.7	29.2	19.3	-9.3	4.3	16.9	10.5
Foods, feeds, and beverages .....	58.7	-4.9	3.2	3.0	-4	-29.6	25.9	23.3	-2.6
Industrial supplies and materials .....	161.9	-5.2	3.0	2.6	9.2	-13.1	8.5	6.9	26.4
Capital goods, except automotive .....	356.2	-7.6	-1.2	23.7	4.1	-8.7	-1.5	32.1	4.7
Automotive vehicles, engines, and parts .....	75.2	-3.4	3.5	.8	.4	-17.1	21.3	4.3	2.2
Consumer goods, except automotive .....	83.1	.5	-.4	1.4	2.8	2.8	-2.3	7.4	15.1
Other .....	48.0	2.0	-.1	-1.5	2.7	19.2	-.6	-12.2	26.1
Exports of services <sup>1</sup> .....	295.4	2.9	2.3	0	3.2	4.1	3.2	0	4.5
<b>Imports of goods and services</b> .....	<b>1,426.7</b>	<b>37.8</b>	<b>44.5</b>	<b>47.6</b>	<b>33.7</b>	<b>12.5</b>	<b>14.4</b>	<b>14.9</b>	<b>10.0</b>
Imports of goods <sup>1</sup> .....	1,215.6	32.3	40.5	46.4	26.7	12.6	15.5	17.3	9.3
Foods, feeds, and beverages .....	47.6	.9	2.3	1.2	.4	9.0	22.9	10.7	2.9
Industrial supplies and materials, except petroleum and products .....	163.9	0	3.4	4.5	4.9	.1	9.3	12.1	12.8
Petroleum and products .....	76.9	1.4	4.7	-2.6	-5.8	7.1	25.5	-11.6	-25.1
Capital goods, except automotive .....	406.7	7.9	23.0	19.5	16.7	9.6	29.2	22.8	18.3
Automotive vehicles, engines, and parts .....	184.5	9.7	3.0	10.7	.4	26.5	7.1	27.1	.8
Consumer goods, except automotive .....	263.2	8.4	5.1	10.8	11.6	15.7	8.9	19.2	19.8
Other .....	75.2	2.6	1.5	2.1	.9	16.5	8.4	12.7	4.7
Imports of services <sup>1</sup> .....	212.3	5.6	4.3	1.8	6.8	11.9	8.9	3.6	13.9

1. Exports and imports of certain goods, primarily military equipment purchased and sold by the Federal Government, are included in services.

NOTE.—See note to table 1 for an explanation of chained (1996) dollar series. Chained (1996) dollar levels and residuals are shown in NIPA table 4.4. Percent changes in major aggregates are shown in NIPA table S.1.

was 2.09, the same as in the third quarter; over the current expansion, the ratio has fluctuated in the range of 2.07 to 2.17. The inventory-sales ratio that includes only final sales of goods and structures decreased from 3.71 to 3.70, its lowest level in more than 30 years.<sup>11</sup>

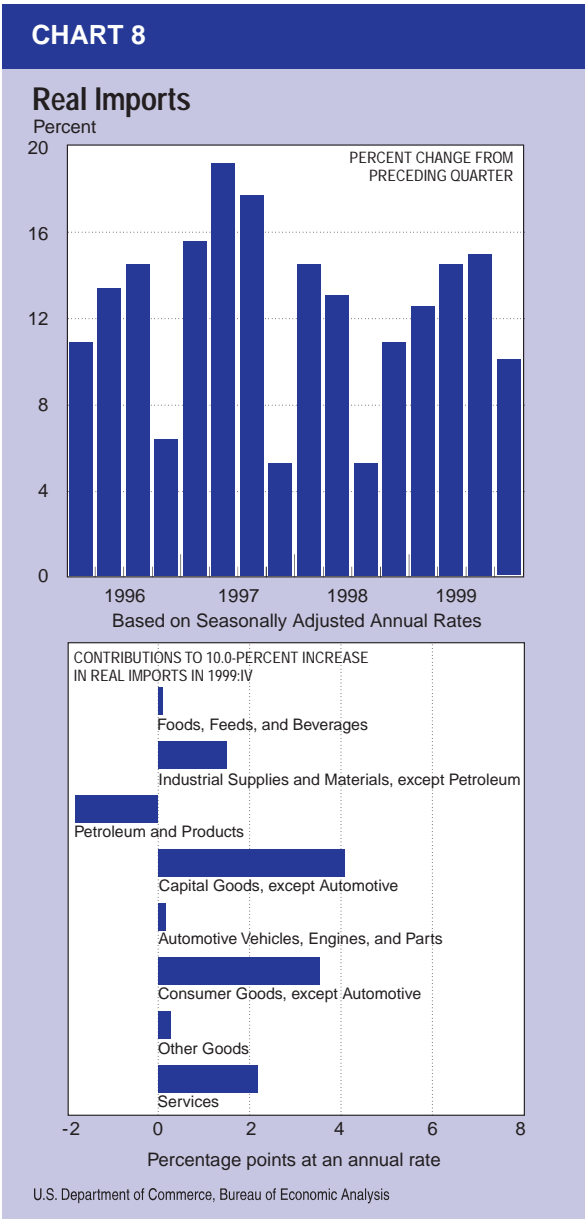
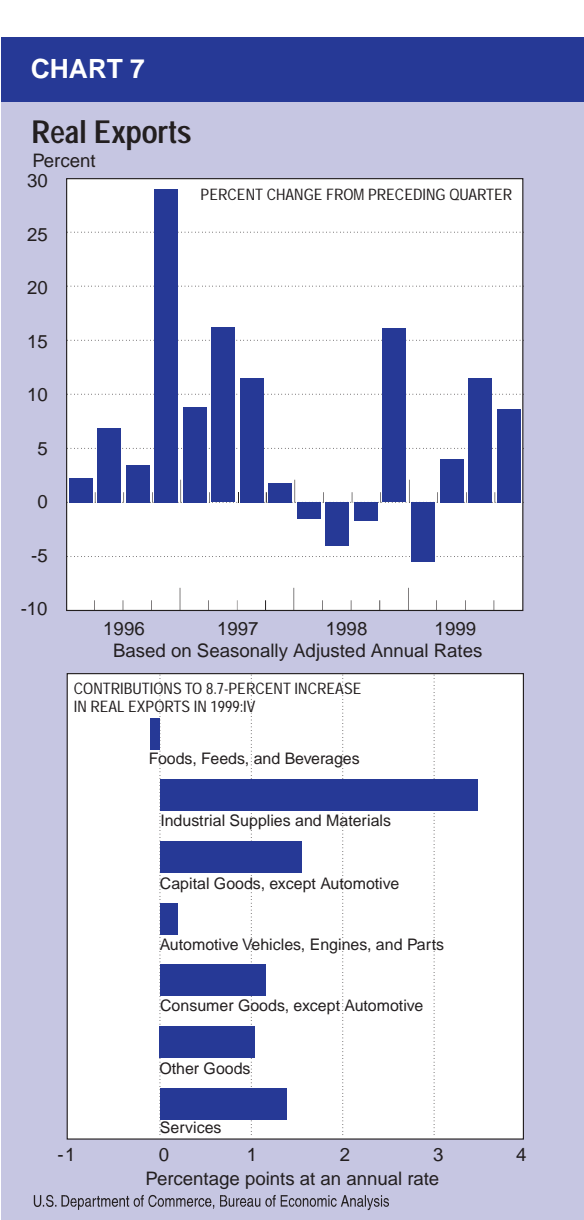
Exports and imports

Real exports of goods and services increased 8.7 percent in the fourth quarter after jumping 11.5 percent in the third; exports of goods decelerated,

and exports of services accelerated (table 7). Real imports of goods and services increased 10.0 percent after jumping 14.9 percent; imports of goods decelerated, and imports of services accelerated.

Real exports of goods increased 10.5 percent after jumping 16.9 percent (chart 7). Most of the slowdown was attributable to a sharp deceleration in nonautomotive capital goods, primarily reflecting downturns in computers, peripherals, and parts and in telecommunication equipment and reflecting decelerations in semiconductors and in civilian aircraft, engines, and parts; however, a downturn in food, feeds, and beverages also contributed to the slowdown. Exports of industrial supplies and materials and of nonautomotive consumer goods accelerated.

11. Use of the ratio that includes all final sales of domestic businesses in the denominator implies that the use of inventories in the production of services is similar to the use of inventories in the production of goods and structures. In contrast, use of the "goods and structures" ratio implies that the production of services does not use inventories. Because business final sales of services are large relative to final sales of goods and structures, the levels of the two ratios differ substantially. However, quarter-to-quarter changes in the two ratios tend to be similar.



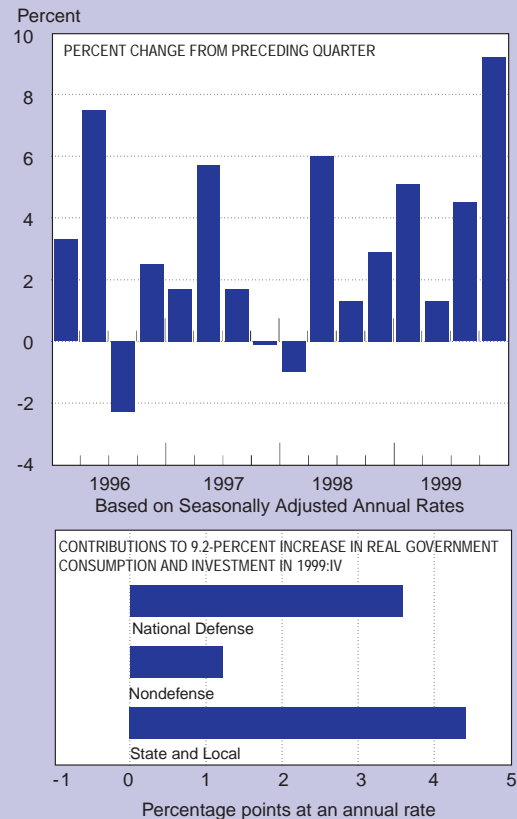


Exports of services increased 4.5 percent after no change. Exports of travel turned up, and exports of "other private services" accelerated.<sup>12</sup>

12. Exports of other private services includes education, financial, telecommunications, insurance, and business, professional, and technical.

## CHART 9

### Real Government Consumption and Investment



U.S. Department of Commerce, Bureau of Economic Analysis

Real imports of goods increased 9.3 percent after jumping 17.3 percent (chart 8). The slowdown reflected slowdowns in imports of automotive vehicles, engines, and parts and in computers, peripherals, and parts; a downturn in imports of civilian aircraft, engine, and parts; and a larger decrease in the imports of petroleum and products.

Imports of services jumped 13.9 percent after increasing 3.6 percent. Imports of travel and of royalties and license fees turned up, and imports of passenger fares and of "other private services" accelerated.<sup>13</sup>

### Government spending

Real government consumption expenditures and gross investment increased 9.2 percent in the fourth quarter after increasing 4.5 percent in the third (table 8 and chart 9). Spending by both the Federal Government and State and local governments increased more in the fourth quarter than in the third.

Federal defense spending jumped 16.7 percent after increasing 11.2 percent. Investment spending increased after little change; equipment and software stepped up, and structures changed little after decreasing slightly. Consumption spending increased more in the fourth quarter than in the third; the acceleration was more than accounted for by a step-up in services other than compensation of employees.

Federal nondefense spending increased 9.9 percent after decreasing 7.1 percent. Consumption expenditures increased after decreasing, largely reflecting an upturn in services. Investment spend-

13. Imports of other private services includes education, financial, telecommunications, insurance, and business, professional, and technical.

Table 8.—Real Government Consumption Expenditures and Gross Investment

[Seasonally adjusted at annual rates]

	Billions of chained (1996) dollars					Percent change from preceding quarter			
	Level	Change from preceding quarter							
	1999	1999				1999			
	IV	I	II	III	IV	I	II	III	IV
Government consumption expenditures and gross investment <sup>1</sup>	1,570.8	18.7	4.9	17.0	34.3	5.1	1.3	4.5	9.2
Federal	557.9	-6	2.8	5.5	18.2	-5	2.1	4.1	14.2
National defense	362.0	-3.5	-2.2	9.1	13.7	-4.0	-2.6	11.2	16.7
Consumption expenditures	305.0	-4.1	-4.6	9.1	11.0	-5.4	-6.2	13.4	15.7
Gross investment	57.3	.7	2.5	-1	2.8	5.2	20.7	-8	22.9
Nondefense	195.9	2.8	5.0	-3.6	4.6	6.1	10.9	-7.1	9.9
Consumption expenditures	152.0	1.7	1.3	-2.3	2.2	4.4	3.6	-5.8	5.8
Gross investment	44.5	1.3	3.8	-1.3	2.6	13.9	45.6	-12.0	26.9
State and local	1,012.7	19.3	2.2	11.5	16.1	8.2	.9	4.8	6.6
Consumption expenditures	811.9	6.7	6.9	7.6	7.0	3.4	3.5	3.9	3.5
Gross investment	201.1	12.8	-4.9	3.9	9.4	31.6	-9.7	8.6	21.1

1. Gross government investment consists of general government and government enterprise expenditures for fixed assets; inventory investment is included in government consumption expenditures.

NOTE.—See note to table 1 for an explanation of chained (1996) dollar series. Chained (1996) dollar levels and residuals are shown in NIPA table 3.8. Percent changes in major aggregates are shown in NIPA table S.1.

ing also increased after decreasing, reflecting an upturn in equipment and software.

State and local government spending increased 6.6 percent after increasing 4.8 percent. The step-up was more than accounted for by an acceleration in investment spending, which reflected an acceleration in spending for structures, largely for highways. Consumption expenditures increased slightly less than in the third quarter.

**Table 9.—Revisions to Change in Real Gross Domestic Product and Prices, Fourth Quarter 1999**

[Seasonally adjusted at annual rates]

	Percent change from preceding quarter		Preliminary estimate minus advance estimate		
	Advance estimate	Preliminary estimate	Change in real GDP		Contribution to percent change in real GDP
			Percentage points	Billions of chained (1996) dollars	Percentage points
<b>Gross domestic product</b> .....	<b>5.8</b>	<b>6.9</b>	<b>1.1</b>	<b>24.0</b>	.....
<i>Less:</i> Exports of goods and services .....	6.9	8.7	1.8	4.6	.19
Goods .....	7.6	10.5	2.9	5.2	.22
Services .....	5.1	4.5	-.6	-.5	-.02
<i>Plus:</i> Imports of goods and services .....	10.6	10.0	-.6	-1.9	.07
Goods .....	9.9	9.3	-.6	-1.8	.06
Services .....	14.3	13.9	-.4	-.1	.00
<b>Equals: Gross domestic purchases</b> .....	<b>6.3</b>	<b>7.2</b>	<b>.9</b>	<b>18.1</b>	.....
<i>Less:</i> Change in private inventories .....	.....	.....	.....	3.3	.15
Farm .....	.....	.....	.....	.8	.03
Nonfarm .....	.....	.....	.....	2.6	.12
<b>Equals: Final sales to domestic purchasers</b> .....	<b>5.2</b>	<b>5.8</b>	<b>.6</b>	<b>14.6</b>	.....
Personal consumption expenditures .....	5.3	5.9	.6	9.1	.44
Durable goods .....	11.8	13.0	1.2	2.1	.09
Nondurable goods .....	6.1	7.2	1.1	4.7	.22
Services .....	3.5	3.8	.3	2.4	.14
Fixed investment .....	1.5	2.1	.6	2.3	.11
Nonresidential .....	2.5	2.5	0	.1	.01
Structures .....	-5.3	-4.3	1.0	.6	.03
Equipment and software .....	4.9	4.7	-.2	-.7	-.02
Residential .....	-1.2	1.0	2.2	2.1	.10
Government consumption expenditures and gross investment .....	8.4	9.2	.8	3.1	.16
Federal .....	16.0	14.2	-1.8	-2.2	-.10
National defense .....	18.9	16.7	-2.2	-1.7	-.07
Nondefense .....	11.0	9.9	-1.1	-.5	-.03
State and local .....	4.4	6.6	2.2	5.2	.24
<b>Addenda:</b>					
Final sales of domestic product .....	4.6	5.6	1.0	20.4	.....
Gross domestic purchases price index .....	2.3	2.3	0	.....	.....
GDP price index .....	2.0	2.0	0	.....	.....

NOTE.—The preliminary estimates for the fourth quarter of 1999 incorporate the following revised or additional major source data that were not available when the advance estimates were prepared.

*Personal consumption expenditures:* Retail sales for November and December (revised), consumers' share of new-car purchases for December, average unit value for domestic new autos for December (revised), and consumers' share of new-truck purchases for December.

*Nonresidential fixed investment:* Construction put-in-place for October and November (revised) and December, manufacturers' shipments of machinery and equipment for November (revised) and December, and exports and imports of machinery and equipment for November (revised) and December.

*Residential fixed investment:* Construction put-in-place for October and November (revised) and December.

*Change in private inventories:* Manufacturing, retail trade, and wholesale trade inventories for November (revised) and December and unit inventory data for autos for December.

*Exports and imports of goods and services:* Exports and imports of goods for November (revised) and December.

*Government consumption expenditures and gross investment:* Monthly Treasury Statement detailed data for December, Department of Defense detailed financial reports for the fourth quarter, and State and local government construction put-in-place for October and November (revised) and December.

*Wages and salaries:* Employment, average hourly earnings, and average weekly hours for November and December (revised). GDP prices: Detailed merchandise export and import price indexes for October through December (revised), unit-value index for petroleum imports for November (revised) and December, housing prices for the fourth quarter, and consumer price indexes (revised to incorporate new seasonal adjustment factors).

## Revisions

The preliminary estimate of a 6.9-percent increase in real GDP in the fourth quarter is 1.1 percentage points higher than the advance estimate (table 9); for 1978–99, the average revision, without regard to sign, from the advance estimate to the preliminary estimate was 0.5 percentage point.

The upward revision to real GDP primarily reflected upward revisions to PCE, to State and local government spending, to exports of goods, and to private nonfarm inventory investment; these revisions were partly offset by a downward revision to Federal Government spending.

The upward revision to PCE was largely to nondurable goods and services. The upward revision to nondurable goods was primarily to food, which mainly reflected the incorporation of revised Census Bureau estimates of retail sales for November and December. The upward revision to services was primarily to recreational services, which mainly reflected the incorporation of newly available data on State government gambling revenues for November and December, and to brokerage and investment counseling, which mainly reflected the incorporation of newly available trade source data on mutual funds sales for December.

The upward revision to State and local government spending was primarily to investment in highways and reflected the incorporation of newly available Census Bureau estimates of construction-put-in-place for December.

The upward revision to exports of goods was mainly to "other capital goods, except automotive" and primarily reflected the incorporation of newly available Census Bureau estimates for December.

The upward revision to private nonfarm inventory investment was mainly to retail motor vehicles and primarily reflected the incorporation of newly available trade source data on auto inventories for December.

The downward revision to Federal Government spending was mainly to defense spending and primarily reflected the incorporation of newly available detailed data from the Monthly Treasury Statement for December and Department of Defense financial reports for the fourth quarter.

The preliminary estimates of the increases in the price indexes for gross domestic purchases (2.3 percent) and for GDP (2.0 percent) were the same as the advance estimates.

The preliminary estimate of the increase in real DPI was 4.5 percent and that of the increase in current-dollar DPI was 7.1 percent, both of which were 0.1 percentage point lower than the advance estimates. 